

AMENDED IN SENATE MARCH 24, 2014

SENATE BILL

No. 1338

Introduced by Senator Wyland

February 21, 2014

An act to amend Section 1748.13 of the Civil Code, relating to credit cards.

LEGISLATIVE COUNSEL'S DIGEST

SB 1338, as amended, Wyland. Credit cards: disclosures.

Existing law, the Areias Credit Card Full Disclosure Act of 1986, requires a credit card issuer, with each billing statement provided to a cardholder in this state, to provide certain information on the front of the first page of the billing statement. ~~Existing law defines various terms for purposes of carrying out that requirement.~~

~~This bill would make nonsubstantive changes to that definition provision.~~

This bill would require a credit card issuer, on the front page of a billing statement, also to provide written statements disclosing that a missed credit card bill payment can affect a cardholder's credit history, credit report score, and ability to acquire more credit, and disclosing how a credit score is typically calculated using payment history, amounts owed, length of credit history, new credit, and types of credit used.

Vote: majority. Appropriation: no. Fiscal committee: no.
State-mandated local program: no.

The people of the State of California do enact as follows:

SECTION 1. Section 1748.13 of the Civil Code is amended to read:

1748.13. (a) A credit card issuer shall, with each billing statement provided to a cardholder in this state, provide the following on the front of the first page of the billing statement in type no smaller than that required for any other required disclosure, but in no case in less than 8-point capitalized type:

(1) A written statement in the following form: “Minimum Payment Warning: Making only the minimum payment will increase the interest you pay and the time it takes to repay your balance.”

(2) Either of the following:

(A) A written statement in the form of and containing the information described in clause (i) or (ii), as applicable, as follows:

(i) A written three-line statement, as follows:

“A one thousand dollar (\$1,000) balance will take 17 years and three months to pay off at a total cost of two thousand five hundred ninety dollars and thirty-five cents (\$2,590.35).

A two thousand five hundred dollar (\$2,500) balance will take 30 years and three months to pay off at a total cost of seven thousand seven hundred thirty-three dollars and forty-nine cents (\$7,733.49).

A five thousand dollar (\$5,000) balance will take 40 years and two months to pay off at a total cost of sixteen thousand three hundred five dollars and thirty-four cents (\$16,305.34).

This information is based on an annual percentage rate of 17 percent and a minimum payment of 2 percent or ten dollars (\$10), whichever is greater.”

In the alternative, a credit card issuer may provide this information for the three specified amounts at the annual percentage rate and required minimum payment which are applicable to the cardholder’s account. The statement provided shall be immediately preceded by the statement required by paragraph (1).

(ii) Instead of the information required by clause (i), retail credit card issuers shall provide a written three-line statement to read, as follows:

“A two hundred fifty dollar (\$250) balance will take two years and eight months to pay off at a total cost of three hundred twenty-five dollars and twenty-four cents (\$325.24).

1 A five hundred dollar (\$500) balance will take four years and five
2 months to pay off at a total cost of seven hundred nine dollars and
3 ninety cents (\$709.90).

4 A seven hundred fifty dollar (\$750) balance will take five years
5 and five months to pay off at a total cost of one thousand
6 ninety-four dollars and forty-nine cents (\$1,094.49).

7 This information is based on an annual percentage rate of 21
8 percent and a minimum payment of 5 percent or ten dollars (\$10),
9 whichever is greater.”

10 In the alternative, a retail credit card issuer may provide this
11 information for the three specified amounts at the annual percentage
12 rate and required minimum payment which are applicable to the
13 cardholder’s account. The statement provided shall be immediately
14 preceded by the statement required by paragraph (1). A retail credit
15 card issuer is not required to provide this statement if the
16 cardholder has a balance of less than five hundred dollars (\$500).

17 (B) A written statement providing individualized information
18 indicating an estimate of the number of years and months and the
19 approximate total cost to pay off the entire balance due on an
20 open-end credit card account if the cardholder were to pay only
21 the minimum amount due on the open-ended account based upon
22 the terms of the credit agreement. For purposes of this
23 subparagraph only, if the account is subject to a variable rate, the
24 creditor may make disclosures based on the rate for the entire
25 balance as of the date of the disclosure and indicate that the rate
26 may vary. In addition, the cardholder shall be provided with
27 referrals or, in the alternative, with the “800” telephone number
28 of the National Foundation for Credit Counseling through which
29 the cardholder can be referred, to credit counseling services in, or
30 closest to, the cardholder’s county of residence. The credit
31 counseling service shall be in good standing with the National
32 Foundation for Credit Counseling or accredited by the Council on
33 Accreditation for Children and Family Services. The creditor is
34 required to provide, or continue to provide, the information
35 required by this paragraph only if the cardholder has not paid more
36 than the minimum payment for six consecutive months, after July
37 1, 2002.

38 (3) (A) A written statement in the following form: “For an
39 estimate of the time it would take to repay your balance, making
40 only minimum payments, and the total amount of those payments,

1 call this toll-free telephone number: (Insert toll-free telephone
2 number).” This statement shall be provided immediately following
3 the statement required by subparagraph (A) of paragraph (2). A
4 credit card issuer is not required to provide this statement if the
5 disclosure required by subparagraph (B) of paragraph (2) has been
6 provided.

7 (B) The toll-free telephone number shall be available between
8 the hours of 8 a.m. and 9 p.m., Pacific standard time, seven days
9 a week, and shall provide consumers with the opportunity to speak
10 with a person, rather than a recording, from whom the information
11 described in subparagraph (A) may be obtained.

12 (C) The Department of Financial Institutions shall establish a
13 detailed table illustrating the approximate number of months that
14 it would take and the approximate total cost to repay an outstanding
15 balance if the consumer pays only the required minimum monthly
16 payments and if no other additional charges or fees are incurred
17 on the account, such as additional extension of credit, voluntary
18 credit insurance, late fees, or dishonored check fees by assuming
19 all of the following:

20 (i) A significant number of different annual percentage rates.

21 (ii) A significant number of different account balances, with
22 the difference between sequential examples of balances being no
23 greater than one hundred dollars (\$100).

24 (iii) A significant number of different minimum payment
25 amounts.

26 (iv) That only minimum monthly payments are made and no
27 additional charges or fees are incurred on the account, such as
28 additional extensions of credit, voluntary credit insurance, late
29 fees, or dishonored check fees.

30 (D) A creditor that receives a request for information described
31 in subparagraph (A) from a cardholder through the toll-free
32 telephone number disclosed under subparagraph (A), or who is
33 required to provide the information required by subparagraph (B)
34 of paragraph (2), may satisfy its obligation to disclose an estimate
35 of the time it would take and the approximate total cost to repay
36 the cardholder’s balance by disclosing only the information set
37 forth in the table described in subparagraph (C). Including the full
38 chart along with a billing statement does not satisfy the obligation
39 under this section.

1 (4) *A written statement disclosing that a missed credit card bill*
2 *payment can affect a cardholder's credit history, credit report*
3 *score, and ability to acquire more credit.*

4 (5) *A written statement disclosing how a credit score is typically*
5 *calculated using payment history, amounts owed, length of credit*
6 *history, new credit, and types of credit used.*

7 (b) For the purposes of this section, the following definitions
8 apply:

9 (1) "Credit card" has the same meaning as in paragraph (2) of
10 subdivision (a) of Section 1748.12.

11 (2) "Open-end credit card account" means an account in which
12 consumer credit is granted by a creditor under a plan in which the
13 creditor reasonably contemplates repeated transactions, the creditor
14 may impose a finance charge from time to time on an unpaid
15 balance, and the amount of credit that may be extended to the
16 consumer during the term of the plan is generally made available
17 to the extent that any outstanding balance is repaid and up to any
18 limit set by the creditor.

19 (3) "Retail credit card" means a credit card is issued by or on
20 behalf of a retailer, or a private label credit card that is limited to
21 customers of a specific retailer.

22 (c) (1) This section shall not apply in any billing cycle in which
23 the account agreement requires a minimum payment of at least 10
24 percent of the outstanding balance.

25 (2) This section shall not apply in any billing cycle in which
26 finance charges are not imposed.